

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AGRE-00 AID-05 CIAE-00 COME-00
EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
NSC-05 SS-15 STR-04 CEA-01 L-03 H-01 PA-01 PRS-01
/084 W

-----240952Z 018832 /15

R 240839Z MAY 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 190

INFO AMCONSUL HONG KONG

LIMITED OFFICIAL USE SECTION 1 OF 3 MANILA 7940

HONG KONG FOR REGIONAL TREASURY REPRESENTATIVE

E.O. 11652: N/A

TAGS: EFIN, RP

SUBJECT: BALANCE OF PAYMENTS ACCOUNTING AND DEBT QUESTIONS

REF: STATE 85390

1. SUMMARY. BALANCE OF PAYMENTS ON CUSTOMS BASIS SHOWS 1976
TRADE DEFICIT WAS \$1,117 MILLION, CURRENT ACCOUNT DEFICIT
\$1,139 MILLION, AND OVERALL DEFICIT \$164 MILLION. EXTERNAL
DEBT AT END OF 1976 WAS \$5,557 MILLION; THIS REFLECTS ONLY
DISBURSED DEBT, NOT COMMITMENTS. INCREASE OF \$1,758 MILLION
DURING 1976 RECONCILES APPROXIMATELY WITH MEASURES OF CAPITAL
FLOWS DURING THAT PERIOD. NATURE OF "REVOLVING CREDITS" IS
ESSENTIALLY TRADE CREDITS ON PRIVATE SIDE AND 180-DAY OIL
FACILITY CREDITS ON PUBLIC SIDE.

2. EMBASSY NOW REASONABLY CONFIDENT IN FIGURE OF \$563 MILLION
FOR DEBT SERVICE PAYMENTS IN 1976. DEPENDING ON DEFINITION,
THIS RESULTS IN DEBT SERVICE RATIO OF 15.5 TO 17 PERCENT.

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PROJECTIONS FOR 1977 ARE LIKELY TO BE REVISED, BUT PRESENTLY
LOOK FOR PAYMENTS OF ABOUT \$630 MILLION AND A RATIO OF 14
TO 15 PERCENT. END SUMMARY.

3. REFTTEL QUITE ACCURATELY CALLS ATTENTION TO DIFFICULTY RAISED
BY USING RECEIPTS AND DISBURSEMENTS (R & D) ACCOUNTING OF
TRADE IN CONSIDERING OVERALL BALANCE OF PAYMENTS. EMBASSY

HAS IN PAST OCCASIONALLY USED R & D APPROACH BECAUSE IT IS AVAILABLE MUCH SOONER THAN CUSTOMS INFORMATION, BUT IT CAN CLEARLY CAUSE TROUBLE, AND WE WILL USE SPARINGLY IN THE FUTURE. WE WILL ALSO BE CHANGING THE SOURCE OF OUR CERP REPORTING ON BALANCE OF PAYMENTS, WHICH FOR SEVERAL YEARS NOW HAS BEEN ON R&D BASIS.

4. FOLLOWING IS SUMMARY FORM OF BALANCE OF PAYMENTS ON CUSTOMS BASIS, A MORE DETAILED VERSION OF WHICH APPEARS IN THE RECENTLY-RELEASED ANNUAL REPORT OF THE CENTRAL BANK (COPIES OF WHICH HAVE BEEN SENT TO WASHINGTON AGENCIES THROUGH CERP PUBLICATIONS PROGRAM). FIGURES ARE IN \$ MILLION:

	1975	1976
IMPORTS	3459	3633
EXPORTS	2262	2517
TRADE BALANCE	(1197)	(1117)
NON-MERCHANDISE TRADE		
BALANCE	(296)	(393)
NET TRANSFERS AND OTHER		464 371
CURRENT ACCOUNTS		(989) (1139)
REPARATIONS AND GRANTS		66 33
PRIVATE LOANS AND CAPITAL		251 473
OFFICIAL LOANS AND CAPITAL		235 703
GRANTS AND LONG-TERM		
CAPITAL	548	1216
PRIVATE SHORT-TERM CAPITAL		102 (96)
ERRORS AND OMISSIONS		(182) (145)
PRIVATE SHORT-TERM		
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CAPITAL AND ERRORS	(80)	(241)
OVERALL BALANCE OF		
PAYMENTS	(521)	(164)

5. CB GOVERNOR LEGARDA WAS MISTAKEN IN DESCRIVING CHARACTER OF DEBT TO SARTORIUS IN FEBRUARY. EXTERNAL DEBT FIGURES CONSIST OF DISBURSED DEBT ONLY, NOT COMMITMENTS. TREATMENT OF NUCLEAR POWER BOND ISSUE IS TECHNICALLY CONSISTENT WITH THIS PRINCIPLE, SINCE ENTIRE \$367 MILLION REPRESENTS OBLIGATION OF NATIONAL POWER CORPORATION, EVEN THOUGH ONLY ABOUT \$11 MILLION HAS ACTUALLY BEEN DRAWN FROM TOTAL ON DEPOSIT WITH EXIMBANK.

6. FOLLOWING IS INFORMATION ON STATUS OF OUTSTANDING EXTERNAL DEBT AS OF THE END OF 1976, AS REPORTED BY THE CENTRAL BANK (\$ MILLION):

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-----240954Z 018689 /15

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INFO AMCONSUL HONG KONG

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HONG KONG FOR REGIONAL TREASURY REPRESENTATIVE

	DEC 31, 1975	DEC. 31, 1976
OVERALL TOTAL	3,798.7	5,556.7
REVOLVING CREDITS	708.2	1,028.5
PRIVATE	283.4	463.3
PUBLIC	424.8	565.2
FIXED-TERM CREDITS	3,090.5	4,528.2
BY BORROWER:		
PRIVATE	1,536.7	1,956.3
PUBLIC	1,553.8	2,571.9
BY MATURITY:		
LESS THAN 1 YEAR	125.5	144.0
1 - 5 YEARS	398.0	456.5
MORE THAN 5 YEARS	2,567.0	3,927.7

THE CENTRAL BANK REPORT ON PHILIPPINE EXTERNAL DEBT, FROM WHICH THE ABOVE IS TAKEN, IS BEING POUCHED TO EA/PHL.

7. WITH RESPECT TO RECONCILIATION OF DEBT INCREASE WITH CAPITAL FLOWS IN 1976, THIS IS QUESTION TO WHICH WE HAVE LIMITED OFFICIAL USE

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DEVOTED CONSIDERABLE EFFORT. WITH THE ASSISTANCE OF THE REGIONAL TREASURY REPRESENTATIVE AND THE CENTRAL BANK,

THE FOLLOWING CAPITAL FLOW ITEMS HAVE BEEN IDENTIFIED
AS APPLYING TO THE DEBT INCREASE (\$ MILLION):

NET CAPITAL MOVEMENT	1,216.0
FROM WHICH ARE SUBTRACTED	
DIRECT INVESTMENT	(85.0)
REPARATIONS FROM JAPAN	(13.5)
OTHER GRANTS	(18.9)
PRIVATE SHORT-TERM	
CAPITAL	(95.9)
ADJUSTED NET CAPITAL MOVEMENT	1,002.7
LOANS FOR NUCLEAR POWER PROJECT	454.0
INCREASE IN BANK LIABILITIES	226.9
"RED CLAUSE" DRAWINGS (SUBTRACTED, SINCE THEY ARE REFLECTED IN CAPITAL FLOWS BUT NOT DEBT)	(88.0)
 TOTAL	 1,595.6

THIS FIGURE, WHEN COMPARED WITH A DEBT INCREASE OF
\$1,758 MILLION, LEAVES A RESIDUAL OF \$162 MILLION NOT
ACCOUNTED FOR. EMBASSY BELIEVES THIS IS WITHIN REASONABLE
MARGIN OF ERROR, WHICH MIGHT BE REDUCED BY FURTHER
IMMERISION IN THE FIGURES. IN ANY CASE, WE DO NOT APPEAR TO
SUFFER FROM ANY SIGNIFICANT CONCEPTUAL OR DEFINITIONAL PROBLEMS.

8. REVOLING CREDITS. AGAIN QUOTING FROM THE CY YEAR-
END REPORT ON EXTERNAL DEBT, FOLLOWING IS INFORMATION ON
REVOLVING CREDITS (\$ MILLION):

A. TRANSACTIONS, JAN TO DEC, 1976:

AVAILMENTS	2,029.9
PRINCIPAL REPLAYMENTS	1,693.4
INTEREST PAYMENTS	43.3

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B. OUTSTANDING	DEC. 31, 1975	DEC. 31, 1976
PRIVATE	283.4	463.3
PUBLIC	424.8	565.2
TOTAL	708.2	1,028.5

9. CB SOURCES STATE THAT THE PRIVATE PORTION OF THE
ABOVE IS CONSTITUED ALMOST ENTIRELY OF TRADE CREDITS;
I.E., DOCUMENTS AGAINST ACCEPTANCE AND OPEN ACCOUNTS.
THE PUBLIC PORTION IS COMPOSED ESSENTIALLY OF OIL
FACILITY CREDITS ON A 180-DAY REVOLING BASIS. CB
SOURCES HAVE INDICATED THAT CERTAIN CREDITS, WHOSE
NATURE IS MORE AKIN TO FIXED-TERM THAN REVOLVING
CREDITS, ARE ALSO INCLUDED. WE REFER HERE SPECIFICALLY

TO THE EUROCURRENCY REVOLVING CREDITS ARRANGED IN 1974,) AND TO WHICH THE IBRD IS APPARENTLY REFERRING (REFTEL). (IS IS NOTED THATE EUROCURRENCY LOANS OF 1976 WERE TERM LOANS AND WOULD NOT COME WITHIN THIS CATEGORY.) OUR LATEST INFORMATION IS THAT THE AMOUNT OUTSTANDING ON THESE 1974 CREDIT LINES IS ABOUT \$60 MILLION.

10. TOTAL PHILIPPINE SHORT-TERM DEBT AS OF END-1976

IS THEREFORE AS FOLLOWS (\$ MILLION):

FIXED TERM, LESS THAN ONE YEAR	144.0
REVOLVING CREDITS	1,028.5
LESS EUROCURRENCY "REVOLVING CREDITS"	60.0
TOTAL	1,112.5

11. AFTER MUCH CHEWING OVER OF 1976 DEBT SERVICE FIGURES, WE HAVE REACHED A FIGURE WHICH IS CLOSE TO THAT PREVIOUSLY REPORTED. LOCAL IMF REP HAS ALSO BEEN LOOKING INTO THIS, AND WILL PROBABLY BE REPORTING SLIGHTLY REVISED FIGURES TO WASHINGTON. IN BREAKDOWN WHICH FOLLOWS, IN ADDITION TO PUBLIC AND PRIVATE MEDIUM AND LONG TERM DEBT, WE HAVE INCLUDED INTEREST

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HONG KONG FOR REGIONAL TREASURY REPRESENTATIVE

PAYMENTS ON REVOLVING CREDITS. RATIONALE FOR THIS IS THAT WHILE PRINCIPAL IS ROLLED OVER, INTEREST PAYMENTS ARE NOT.

PRINCIPAL INTEREST

1 - 5 YEARS	136.7	14.6
MORE THAN 5 YEARS	231.1	137.5
REVOLVING CREDITS (INT.)	----	43.3
	367.8	195.4
TOTAL	563.2	

12. WITHOUT GETTING DEEPLY INTO DETAILS DISCUSSED IN OUR DEBT SERVICE AIRGRAM (TO BE DISPATCHED SHORTLY), TWO REASONABLY DEFINITIONS (IMF AND IBRD) OF DEBT SERVICE RATIO RESULT IN CALCULATIONS OF RECEIPTS FOR 1976 OF \$3,668 MILLION AND \$3,261 MILLION, RESPECTIVELY. RESULTING DEBT SERVICE RATIOS ARE 15.4 PERCENT AND 17.3 PERCENT. FOR REASONS DISCUSSED IN AIRGRAM, EMBASSY ESTIMATE INCLINES TO LOWER END OF ABOVE RANGE.

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13. FOR 1977, CB HAS PROVIDED US WITH PROJECTIONS ON CONFIDENTIAL BASIS, USING IBRD AND IMF DEFINITIONS. WE UNDERSTAND THAT PROJECTIONS ARE BEING REEXAMINED, AND THAT SIGNIFICANT REVISION MIGHT RESULT (\$ MILLION):

	IBRD	IMF
SERVICE	632	630
PRINCIPAL	375	373
INTEREST	257	257
RECEIPTS	4,129	4,437
DEBT SERVICE RATIO	15.3	14.2
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Message Attributes

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Concepts: REPORTS, BALANCE OF PAYMENTS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 24-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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TAGS: EFIN, RP
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vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/48bd568b-c288-dd11-92da-001cc4696bcc
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